BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 92-572-C - ORDER NO. 93-468

JUNE 8, 1993

IN RE:	Application of South Carolina Public Communications Association for Implementation of Intrastate Dial-Around Compensation.	) ORDER) APPROVING) DIAL-AROUND) COMPENSATION

This matter is before the Public Service Commission of South Carolina (the Commission) on the Petition of the South Carolina Public Communications Association (SCPCA or Petitioners) for an order implementing a plan through which providers of privately-owned coin or coinless operated pay telephone service (COCOTS or payphone providers) will be paid for carrier access code calls placed over COCOT telephones. The SCPCA contends that principles of equity and economics support compensation to independent payphone providers for dial-around calls.

Following public notice, the Commission received Petitions to Intervene from the Department of Information Resource Management of the Budget and Control Board (DIRM), U.S. Sprint (Sprint), MCI Telecommunications Corporation (MCI), Southern Bell Telephone and Telegraph Company (Southern Bell), General Telephone Company (GTE), United Telephone of the Southeast (United), the South Carolina Telephone Association (SCTA), AT&T Communications, Inc. of the Southern States (AT&T), and the Consumer Advocate for the State of South Carolina (the C.A.). A hearing was commenced on March 3, 1993, in the Commission's hearing room. The hearing was continued on March 18, 1993.

The SCPCA was represented by Robert D. Coble, Esquire, and John F. Beach, Esquire; DIRM was represented by Craig K. Davis, Esquire; Sprint was represented by Dana W. Cothran, Esquire, and Chanthina R. Bryant, Esquire; MCI was represented by D. Christian Goodall, Esquire, and Martha McMillan, Esquire; Southern Bell was represented by Harry M. Lightsey, Esquire, and Caroline N. Watson, Esquire; GTE was represented by M. John Bowen, Jr., Esquire; AT&T was represented by Francis P. Mood, Esquire, and Roger A. Briney, Esquire; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; and the Commission Staff was represented by Gayle B. Nichols, Staff Counsel.

After a thorough review of the Petition, the evidence of record, and the applicable law, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. SCPCA is a non-profit corporation, organized and existing pursuant to South Carolina law, and represents approximately thirty (30) members. Petition, p.1.

2. COCOT owners "compete in the marketplace for payphone placements by offering premise owners a commission on coin and 0+ traffic originating from their payphones." FCC Second Report and Order, Docket No. 91-35 (May 8, 1992) (Hereafter referred to as FCC Order). COCOTS earn revenues by reselling local and 1+ toll

service from their payphones. Traditionally, COCOT providers have presubscribed their payphones to interexchange carriers (IXCs) or operator service providers (OSPs) who pay a commission to payphone owners on toll traffic. Because COCOT providers earn no revenues when calls to a non-presubscribed IXC or OSP are accessed through their payphones, some providers block access to non-presubscribed IXCs and OSPs. See FCC Order.

3. Pursuant to Commission Order No. 92-511, Docket No. 91-040-C, (August 26, 1992), all COCOT providers are required to permit calling parties access to their IXC of choice offering intrastate service in South Carolina by means of 950-XXXX, 10XXX, and/or 1-800 dialing sequences.

4. The SCPCA defines a dial-around call as "any call placed from a COCOT paystation that generates revenues for an IXC, deprives the paystation of other revenue opportunities while the call is taking place, and results in the generation of no revenues to the COCOT provider. Currently, dial-around calls are those initiated from the COCOT location by the end user dialing 10XXX, 1-800-XXXXXXX, 950XXXX, 0+900, and any call initiated by dialing 0- which the LEC transfers to an IXC." TR. Vol. 1, p. 24, lines 14-21. The SCPCA asserts that these calls displace revenue generating calls from payphones without providing a corresponding decrease in the COCOT provider's costs. The SCPCA contends that, because of increasing dial-around traffic, the independent payphone industry and, consequently, the public is harmed. Therefore, the SCPCA asserts that the IXCs should be required to compensate

independent payphone providers for dial-around calls.

5. The SCPCA asserts that "the optimal method of dial-around compensation" is on a per call basis. TR. Vol. 1, p. 30, lines 23-24. However, the SCPCA notes that, according to the FCC Order, current technology does not allow for per-call compensation because dial-around calls cannot be identified. Further, the SCPCA notes that the FCC found a "per-phone mechanism represents an adequate substitute at this time for per-call compensation." TR. Vol. 1, p. 31, lines 7-9. The SCPCA contends that the cost component of $ .84 per call, based on the LEC 0- transfer service charge and average LEC access charges, and the usage component of 17.2 intrastate dial-around calls per payphone produce a compensation rate of $14.45 per month per phone.

6. AT&T asserts that the compensation proposed by the SCPCA is not in the public interest. It contends that the SCPCA's definition of dial-around calls is too broad and that only completed operator services calls made using carrier access codes 10XXX+, 1-800, and 950-XXXX, rather than 1+ or 0+, are considered dial-around calls. AT&T states that if compensation were to be approved, the Commission should order compensation on a per-call basis. AT&T states it is working with the National Public Communications Council to develop a per call tracking mechanism. TR. Vol. 2, p. 102, lines 10-17.

7. MCI opposes the SCPCA's petition for dial-around compensation. MCI asserts that the "FCC has already instituted a 'compensation' system that will guarantee each payphone a

$6.00/month payment from the interexchange carrier industry." TR. Vol. 1, p. 109, lines 2-4. MCI argues that no additional compensation is necessary. Further, MCI contends that the SCPCA's definition of dial-around calls is broader than that of the FCC.

8. Southern Bell and the SCPCA entered into a stipulation whereby the two parties agreed that if the Commission were to approve a compensation plan, the plan should be administered through direct billing and/or payment arrangements between COCOT providers and IXCs. Further, Southern Bell agreed to provide each OSP responsible for compensation with a list each quarter of all telephone lines taking COCOT service in its territory. Hearing Exhibit No. 1.

9. United, Contel, GTE, the SCTA, and the SCPCA entered into a stipulation with the same terms as the Southern Bell-SCPCA Stipulation. Hearing Exhibit No. 2.

CONCLUSIONS OF LAW

1. The Commission concludes that dial-around compensation to COCOT payphone providers in South Carolina is appropriate. The Commission finds that principles of equity dictate that independent payphone operators be provided some recovery for revenues lost to dial-around calls.

2. While it believes that a per call compensation mechanism would be most accurate, the Commission is aware that per call compensation is not technically feasible because LECs, IXCs, and payphone providers are currently unable to identify which calls are actually dial-around calls. Therefore, the Commission finds it

appropriate to require an interim flat per phone (access line) monthly rate until a per call rate can be developed.[1] The Commission encourages the parties to this proceeding to expedite the development of technology to identify calls which are not directed to the presubscribed carrier.

3. Since it is currently authorizing compensation on a per phone (access line) rather than per call basis, the Commission finds it unnecessary to decide which type(s) of calls constitute dial-around calls.

4. The Commission recognizes the SCPCA advocated a compensation rate of $14.45 per phone per month, AT&T advocated no compensation, and MCI advocated that the $6.00 per phone per month compensation ordered by the FCC represented both interstate and intrastate dial-around calls and, therefore, no additional compensation should be allowed. The Commission has already found that some amount of compensation for dial-around calls is necessary. However, the Commission believes that $14.45 per phone per month has not been adequately justified. Moreover, the Commission is concerned about the possibility of a $14.45 compensation rate being subsidized by increased long distance rates. Accordingly, the Commission believes it should proceed cautiously in setting the approved rate. The Commission concludes

1. Only paystations which do not block dial-around access are eligible for compensation. Consequently, payphones located at confinement facilities shall not be eligible for compensation since all calls are carried over those payphones by the presubscribed carrier.

that the FCC did not approve $6.00 to reimburse payphone providers for both interstate and intrastate dial-around calls. In fact, in its Order the FCC specifically "prescribe[d] a rate and mechanism for compensating competitive payphone owners (PPOs) for originating interstate access code calls". FCC Order, p. 2, (Emphasis added).

5. The Commission finds that the amount of compensation should be $3.00 per month per COCOT payphone eligible for compensation under the terms of this Order. While the selection of a $3.00 compensation rate may appear imprecise, the Commission notes that at least one other state regulatory commission has established a $3.00 per month per phone rate.[2] Further, when dial-around calls can be technically identified, the Commission can consider the amount of compensation when its addresses the per call compensation mechanism.

6. The Commission concludes that AT&T, MCI, Sprint, and Telecom USA should pay the compensation ordered herein based on their share of intrastate toll revenue for the twelve (12) months ended December 1992. The Commission notes that the revenues generated by these four (4) companies constitute approximately 97% of all interlata toll revenues generated in South Carolina.[3] The

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2. See Order No. PSC-93-0070-FOF-TP, Docket No. 920399-TP (January 14, 1993) issued by the Florida Public Service Commission.

3. The Commission notes that the FCC ordered all IXCs which had both live/automated operator services and $100 million or more in annual revenues to pay dial-around compensation. According to the FCC's Order, the fourteen (14) companies which fit the FCC's parameters provide approximately 95% of all interstate toll traffic.

Commission finds that this method will be simple to administer and will not burden small IXCs which handle a relatively small portion of the toll traffic. The Commission finds that the payments required by this Order should begin August 1, 1993.

7. The Commission approves the stipulations entered into between Southern Bell and the SCPCA and United, Contel, GTE, the SCTA, and the SCPCA.

8. This Order shall remain in full force and effect until further order of the Commission.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)